Salem Repositioning Test Market - Field Sales

Update through month #4 - Feb, 1998 Results

Overview

The purpose of this document is to inform field sales in the New York region, as to the progress to date that Salem has experienced due to its repositioning efforts. In short, February, 1998 is the first month that any incremental share of market existed. Incremental share of market is that share that cannot be contributed to price, display, and promotion changes for Salem or any of its competitors. For February, Salem posted +.31 incremental share points, and has returned to its level of share prior to the launch. Additionally, Newport share has fallen during February, despite its heavier level of promotion and display (Consumer tracking data supports trial by Newport smokers). The four new styles achieved a 1.15 share of market level in February, and the base styles of Salem did not lose any additional appreciable share.

Background

Repositioning efforts began at retail in November 1997 in New York City. The old graphic/product was "sold through" using heavy buydown. Four "new" styles were introduced -- 3 if the custom case is not included. BSGSF and tear-tape discounted product was used to introduce the new styles and as ongoing promotion. New pack graphics on the entire family, along with new "ORB" advertising and field marketing activities were executed. New blends were introduced in the new styles.

Methodology

The data that is being used to measure the incremental share of market is a based on 34 stores that have been held constant (static) since January, 1995. Additionally, two separate data sets are being used to describe retail dynamics.

Data Set	*Purpose*	*Store Count*
Jack's Static	To examine level/shifts in activity across and broader array of stores	77
Static Panel	To "model" incremental share of market based on causal dynamics	34
OO Panel	This is the MARLIN panel and is being modeled to offer a broader assessment of the repositioning effort	~130

Of the three data sets, "Jack's Static" will be depicted below and the "Static Panel" is being used to "model" the incremental and key points are supported by attached charts. The OO panel is not discussed here, but is being used for diagnostic purposes.

Jack's Static

- A pre and post wave used to judge differing levels of activity for SALEM in the test market.
- Pre period -- May to August 1997
- Post period -- November to February 1998
- Industry volume for these periods: -1.47% -- in-line with expectations -- a 3% price increase.

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	SALEM		New Styles		SALEM 4 Key Soft Pack Styles	
	Pre	Post	Pre	Post	Pre	Post
% CIV Display	19.9	45.2	--	17.5	13.3	21.8
% Volume Display	6.1	15.4	--	27.7	7.3	15.3
SOD	3.4	5.1	--	.4	3.5	3.4
% CIV Discount	11.0	44.6	--	20.0	8.6	16.5
% Volume Discount	5.8	16.4	--	37.8	7.0	13.1
Avg. $ Discount	$.15	$.55	--	$1.38	$.18	$.37

Source: https://www.industrydocuments.ucsf.edu/docs/tfvy0000

Key Points

- Four key styles are soft on SOM due to gains on 4 new styles
- Significant gains in fundamental drivers for new styles and four key styles evident
- Based on judgment, Base SALEM should have posted SOM increases based on the record high levels of discount $ display without the 4 new styles

Summary Points about the 'modeled' data

November - December 1997 -- reflect SOM levels and changes to be on par (see chart 1).

-- Base styles (SP) are losing SOM
-- 4 new styles are gaining SOM

January 1998 -- A SOM spike is expected versus much lower actual

-- Base styles (SP) lost SOM for SALEM (see chart 3).
-- Contributing factors in model
  - BSGSF
  - Increase display levels
  - Kool/Newport price
  - Branded Savings Menthol price

February 1998 -- A SOM loss is expected versus actual gain

-- Base styles (SP) are flat
-- 1st month of true incremental +.31
-- SOM level for SALEM has returned to level pre launch

Overall Summary

It would appear that despite very heavy increases in pricing, display dollar promo levels, SALEM is starting to gain some incremental SOM (+.31 in February 1998).

Base styles of SALEM (SP) have eroded -- most likely due to the repositioning effort and cannibalization from other new styles.

Newport lost significant share of market (see chart 2).

We would recommend continuing test for 3 to 4 months, due to distribution levels are still building, and we need to ensure that the incremental share gained in month 4 will stick.

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Source: https://www.industrydocuments.ucsf.edu/docs/tfvy0000

Chart 1. Salem Incremental Share of Market Tracking

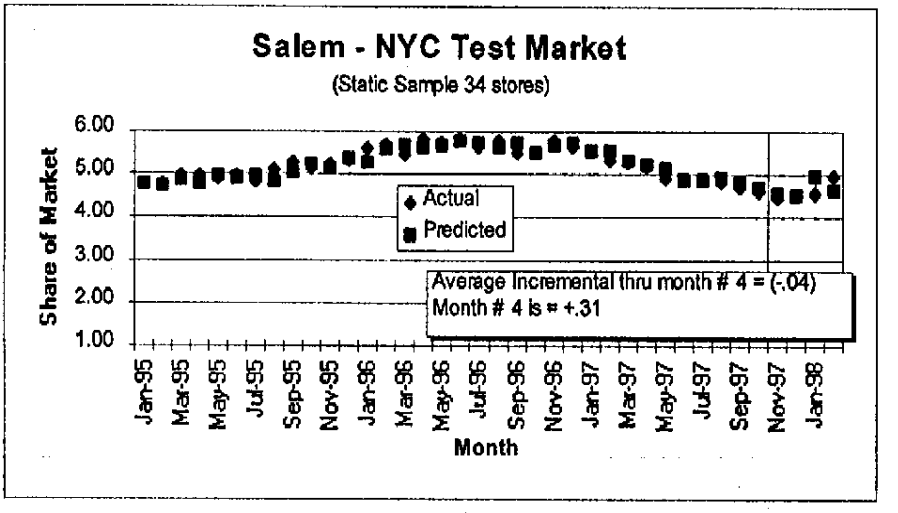


Chart 2. Key Competitors SOM in Test Market

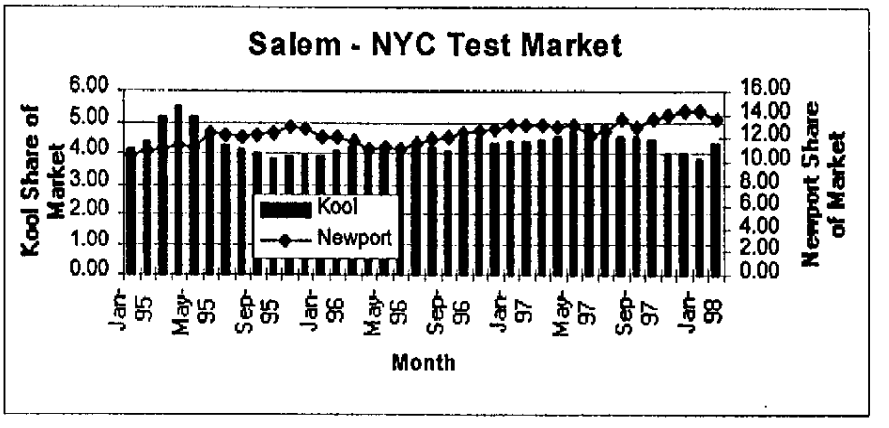
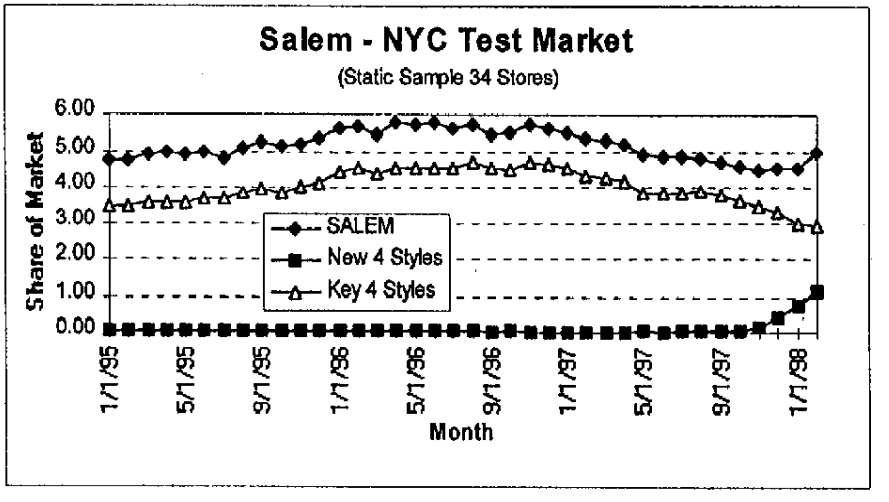


Chart 3. Key Salem Combinations in the Test Market



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